

DEPARTMENT OF EMPLOYMENT AND INDUSTRIAL AFFAIRS

MEMORANDUM

TO ACTING DIRECTOR-GENERAL		ACTION BY	TICK
FROM ASSISTANT DIRECTOR-GENERAL (E&T)		FOR INFORMATION	
DATE 22/8/85	FILE NO.	FILE NOTE ONLY	
SUBJECT SAUNDERS REPORT ON SELECTED GRANTS PROJECTS			

Further to my memorandum of August 6, I advise as follows in regard to the report submitted to you by Mr. Saunders.

1. The Director, Planning and Review has been unavailable for consultation. I have attached (Att. 1) to this memo, the report prepared by the Finance Branch as the input from that Division. Since most of the matters raised by Saunders relate to financial administration within that Division, these views should be sufficient for your advice.
2. Also attached (Atts. 2 and 3) are responses prepared within the Employment Division which indicate actions taken within that Division to identify whether a real problem existed, and to address any verified difficulties. In a number of important instances it is clear that the Saunders report is, at best, uninformed.

I have some serious concerns about the process and conduct of this review as follows:

- (a) It is claimed that the review is of a random sample of grants. This is clearly not the case and to imply that it is does discredit to the intelligence and competence of our staff.
- (b) One must query the purpose of the brief given to Mr. Saunders. If it was to provide a real assessment of the grants process then this could only be done by interacting with staff. As indicated in the attached reports, such involvement could quickly have indicated to Mr. Saunders answers to some of his uncertainties and additional files and sources of information. Coupling this with the selected nature of the grants reviewed one must conclude that the purpose was something other than a valid assessment of grant procedures.
- (c) Despite the obvious lack of information used by Mr. Saunders, and the naive assumption that information contained on single files was all that was available, the report has not hesitated to draw conclusions. The fact that the validity of such conclusions was not tested in any way with staff prior to submission indicates, in my view, either a lack of professionalism of approach or a massive lack of understanding of process.

- (d) One must take strong exception to some of the terminology used in the report. For example, the comments made about officers assisting in the preparation of financial returns have clear implications of some form of underhand activity. Quite extraordinarily, however, the author of the report elsewhere calls for the Department to provide assistance to organisations with financial procedures!
- (e) Similar contradictions exist in his call to reduce the strictures of financial accountability while simultaneously, throughout the report, making critical comment on a variety of perceived non-compliance with very small details of grant conditions and etc.
- (f) Mr. Saunders has apparently not sought to understand the purpose of any particular grant during his assessment. Each condition within a grant is given equal weight and it is assumed in the report that each specified condition was included for active use. Some grant conditions are included as safeguards to be invoked in the event that there is due cause.

This is particularly true with conditions relating to inspection of accounts. The Department does not have the resources to routinely carry out assessments of grants even at the level undertaken by Mr. Saunders. There is no evidence that this is necessary but grant conditions must include the opportunity to do this if and when needed.
- (g) Some of the suggestions made seem to ignore existing procedures. For example, on page 2 of his report he suggests that this Department should see "quotes and receipts for equipment purchased". This apparently ignores the fact that we require an independently audited statement of expenditure to be submitted.
- (h) Mr. Saunders' comments on trading income ignore the fact that all such trading organisations submit to the Department trading statements which are separate from the grant reporting forms.
- (i) It is difficult to comprehend any basis for further simplification of existing grant reporting procedures.
- (j) The comments regarding taxation liabilities are not, in my opinion, a matter for this Department. Any organisation receiving a grant has the same requirement to comply with taxation law as does any business or individual. Conversion of a loan to a grant by this Department is no different to a normal business receiving cash income for the meeting of a loan debt. I do not believe we have any special responsibilities in this regard.

- (k) The comment made regarding the possibility of one set of expenditure figures being used to justify a multiple funding situation are a good example of the shallowness of this report.

First, there is no evidence of this occurring so that the comment sits without justification.

Second, the "solution" proposed is to have the grantee report to the effect that this has not occurred - i.e. it depends on the honesty of the grantee. Our approach is to have an independent auditor verify that funds have been expended for the approved purposes.

- (l) Mr. Saunders takes issue with what he sees are variations from approved expenditure. Grants are provided on the basis of notional budget splits. Inevitably there will be minor variations between the time of grant approval and actual completion of the grant project. Our approach is to ensure that funds are expended for the defined purposes and within the approved limits. Where diversion of grants for alternative purposes is sought then such diversion is given formal consideration.
- (m) I am given to understand that officers of the Auditor-General have been made aware of the contents of this report. Given the unsubstantiated and internal nature of the report, I find this extraordinary, if it is true.
- (n) A proforma set of financial requirements has existed since the inception of grants program, and was last promulgated to all staff on 29/3/85, by memorandum from you.

In summary:


I find many aspects of the report unsatisfactory but concur with his central conclusion, that the grants supervision capacity of the Department be strengthened. The Department has never been given resources to adequately perform this function.

I do not agree with the level of grants supervision deemed desirable, by implication rather than specification, in Mr. Saunders' report. The Department can never be in a position to undertake detailed monitoring of the kind proposed by Mr. Saunders - indeed his report has failed to provide any evidence that it is necessary.

I recommend:

1. Strengthening of the Grants Monitoring Unit within the Finance Branch.
2. Specification within this unit of officers responsible for specific grants programs.

3. Similar definition of officers within the program delivery units.
4. One to one interaction between these officers to ensure adequate grants monitoring.
5. Definition of "adequate" grants monitoring to be agreed on the basis of recommendations to you by the Finance Branch in consultation with program delivery units.



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